THE MEASUREMENT OF THE LABOR FORCE WITH SPECIAL EMPHASIS ON UNEMPLOYMENT STATISTICS

by

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INTRODUCTION

The Employment Act of 1946 charged the federal government with the responsibility of creating and maintaining conditions under which "There will be afforded useful employment opportunities, including, self-employment, for those able, willing and seeking to work and to promote maximum employment, production and purchasing power."[1] In order for these policies to be carried out there must be current and accurate measurements of the labor force.

At the present time the federal government's statistics on unemployment and employment come from three basic sources:[2]

1. the survey of 35,000 households conducted for the Bureau of Labor Statistics by the Bureau of the Census, which is the source for detailed statistics on total unemployment, total employment, and the labor force.

2. the survey of 180,000 establishments based on the payroll reports of nonfarm employers, and which provides detailed information on employment, hours, and earnings, by industry.

3. the administrative statistics derived from the unemployment insurance system which provides figures on the number of workers receiving unemployment insurance benefits.

This report will deal primarily with the unemployment statistics that are gathered by the Bureau of the Census for the Bureau of Labor Statistics. Its purposes are to show the historical development of the measurement of the labor

1. Ewan Clague, "Adequacy of the Unemployment Statistics for Government Uses," Paper presented at the meeting of the American Statistical Association, New York, December 27, 1961. p. 2.
2. Ewan Clague, Testimony before the Subcommittee on Economic Statistics, Joint Economic Committee, Hearings on Employment and Unemployment, December 18, 1962. Department of Labor Release, p. 2.

force, the methods and procedures used to determine current labor force statistics, and to discuss controversies that have arisen over the unemployment statistics.

THE HISTORICAL DEVELOPMENT OF LABOR FORCE MEASUREMENT

The Gainful Worker Theory, 1870-1930

During the period of 1870-1930 the interest of the federal government in gathering labor statistics was in identifying that portion of the population that could be classified as gainful workers. This data was collected in the decennial population census reports. The statistics gathered were for the most part an enumeration of occupations rather than reports on employment and unemployment.

The questions asked by the enumerators during their census takings related to the usual occupation of the individual concerned. The schedules called for a statement of the occupation of each person 10 years of age and older who followed a gainful occupation. To be qualified as a gainful worker a person had to "follow an occupation in which he earned money or a money equivalent, or in which he assisted in the production of marketable goods."[3]

The purpose of the questions asked was to obtain information on people who were usually gainfully employed, but it was not stated specifically on the schedules whether the information was to be based on the person's usual activity, or on his activity at the time of the census. Another problem that arose in making these reports was that the census instructions did not state whether a gainful occupation

3. John D. Durand, "Development of the Labor Force Concept, 1930-40," Labor Force Definition and Measurement, Social Science Research Council, New York, Bulletin 56, 1947, p. 80.

should be reported for those persons who had a dual status, such as working for pay and at the same time attending school. The number of gainful workers was obtained by counting the number of persons for whom gainful occupations were reported. A gainful worker was one who reported having a gainful occupation whether he was working or seeking work at the time of the census.[4]

Because of the definition used in the gainful worker concept new workers without an occupation but who were seeking work were not included in the count of the labor force; and retired persons, seasonal workers who were unemployed or out of the labor force, and many others who were no longer able to work were included in the count.

During the period of 1930-1940 the objectives of the population census changed. Increasing emphasis was placed on the census data for analysis of the supply of labor. It was also desired that this data be useful for showing the incidence of unemployment, and that it could later be used to help test continuing series of employment and unemployment estimates for validity.

A supplementary schedule which was returned for each gainful worker who was not at work on the day before the enumeration during the 1930 census brought out the weaknesses of the gainful worker statistics. This schedule called for information as to whether the person usually followed a gainful occupation, if he had a job, if he was able and willing to work, the reason for his idleness, and how long he had been out of work. These data were used to classify idle gainful workers into seven unemployment classes.[5]

4. Sanford Cohen, Labor in the United States, Charles E. Merrill Books, Inc., Columbus, Ohio, 1960, p. 32.
5. Durand, op. cit., p. 82

Cross tabulations of the data from the supplementary schedule showed that the statistics obtained were not very satisfactory for any analysis of unemployment as they included certain groups who had apparently left the labor market permanently and had omitted several groups that should have been classified as unemployed.[6] Another serious problem encountered with the statistics was that they did not give an actual count of the employed. This had to be estimated by subtracting the number of unemployed from the number of gainful workers.

Development of Current Labor Force Concepts, 1930-1940

Retaining the concept of the gainful workers, extensive work was done to improve the reports during the years 1931-36. Procedures were developed so that "new workers" and "re-entry" workers were included, and the unemployed could be more easily counted. In many of the new reports the definition for the unemployed was those persons who did not have a job, but who were able and willing to work.[7] However, the procedures used continued to give reports on the usual status of the individuals and did not take into account the employment status at the time of the survey.

The state census of Michigan in 1935 was one of the first surveys to concentrate attention on the employment activity of the respondents at the time of the survey. (The period used was the month preceding the survey) Here the "Enumerators were instructed to assign each individual of working age to one of six categories of current employment status:

6. Ibid.
7. Ibid., p. 84

(a) persons who were employed for pay or profit

(b) unpaid family workers

(c) idle gainful workers who were normally employed and currently seeking reemployment

(d) persons who were seeking work for the first time

(e) gainful workers who were temporarily idle because of layoff, sickness, injury, or industrial dispute

(f) persons not currently available for employment, such as students, housewives and retired persons."[8]

These classifications were quite similar to those eventually used in the 1940 census. The Michigan census classified as unemployed those who were seeking employment rather than all those who were normally attached to the labor market.

The Enumerative Check of the 1937 Census of Unemployment was a national sample of the population 15 to 74 years of age. The purpose of this enumeration was to check the 1937 postcard registration of the unemployed and the partially employed workers.[9] The time period for employment activity during the check was a specific week.

Toward the end of the decade various experiments by the Works Progress Administration with local market surveys showed that the use of a set of directed interviews with samples of the population gave the most economical and comprehensive means of measurement, and a current activity test was accepted as the means to measure the unemployed.[10]

8. Ibid., p. 85.
9. Ibid., p. 86.
10. Gertrude Bancroft, "Current Unemployment Statistics of the Census Bureau and Some Alternatives, 'The Measurement and Behavior of Unemployment, A Report of the National Bureau of Economic Research, New York, Princeton University Press, Princeton, 1957, p. 65.

In addition to those currently seeking work three types of inactive workers were added to those classified as unemployed, and this combined total came to be considered a suitable measurement of the jobless. The inactive workers included were:[11]

1. Those who were not seeking work because there was no work available
2. Persons who thought they would be called back to work after a layoff
3. Those persons whose search for work had been interrupted by temporary illness.

These concepts led to the schedules used for the "Monthly Report of Unemployment," which was a sample survey started in 1940 by the Works Progress Administration. During this same period the Bureau of the Census developed the labor force questions which were used in the 1940 decennial census. Although the questions for these two reports differed somewhat in form, they were conceptually the same.

"The Monthly Report on Unemployment" was carried on by the Works Progress Administration until August 1942 when the responsibility for the report was transferred to the Bureau of the Census. At that time the report was renamed "The Monthly Report on the Labor Force." The Bureau of the Census later renamed the report again making it the "Current Population Survey."[12]

Further Developments in Gathering Labor Force Data, 1940-1962

The information for the report was gathered through personal interviews. The time period used was a calendar week. The considerations which led to the

11. Ibid.
12. Ibid., p. 66.

adoption of a calendar week were primarily that this period of time was short enough so that the data obtained would be current, the time reference would not tax the memory of the person giving the information, and the period was long enough so that the occurence of a holiday or any other accidential event would not cause erratic flucations in the information that was obtained.[13]

The total labor force included all civilians who met the requirements necessary to be classified as employed or unemployed and all members of the Armed Forces regardless of where they were stationed. The monthly survey included only the civilian labor force with all necessary information on the Armed Services coming from the Department of Defense. The data on the labor force related to all persons 14 years of age and older. The age limit of 14 years was set as most children under this age in the United States do not work because of restrictive child labor laws, laws governing compulsory school attendance, and general social custom.[14]

On the basis of their reported activity people were classified as employed or unemployed and in the labor force or not in the labor force. In 1957 the following definitions were given by the Bureau d the Census to classify those persons who are employed, unemployed, in the labor force, and not in the labor force. These definitions are still in use.

Employed persons comprised:

(1) all those who during the specified week did any work at all as paid employees or in their own business or profession, or on their own farm, or who worked 15 hours or more as

13. Current Population Reports, United States Department of Commerce, Bureau of the Census, May 9, 1958, Series P-23, No. 5, p. 2.
14. Ibid.

unpaid workers on a farm or in a business operated by a member of the family, and

(2) all those who were not working or looking for work but who had jobs or businesses from which they were temporarily absent because of illness, bad weather, vacation or labor - management dispute, or because they were taking time off for various reasons.[15]

Those who were unemployed included:

those who did not work at all during the survey week and were looking for work. Those who had made efforts to find jobs within the preceding 60-day period--such as by registering at a public or private employment agency, writing letter--and who, during the survey week, were awaiting the results of these efforts are also regarded as looking for work. Also included as unemployed are those who did not work at all during the survey week and--

a. were waiting to be called back to a job from which they had been laid off; or

b. were waiting to report to a new wage or salary job scheduled the following 30 days (and were not in school during the survey week); or

c. would have been looking for work except that they were temporarily ill or believed no work was available in their line of work or in the community.[16]

All persons who were 14 years of age and older who were not classified as employed, unemployed or in the Armed Forces were classified as not in the labor force. These persons were further classified as engaged in own-home housework, in school, unable to work because of long-term mental or physical illness, and other. The "other" group included the voluntary idle, seasonal workers who were not working during the survey week and who were not reported as unemployed, those who were reported as too old to work, and persons who did

15. Ibid.
16. Ibid.

less than 15 hours of unpaid family work.[17]

Prior to 1957 the definitions used for the employed, the unemployed, the labor force and those not in the labor force were the same as they are now except that (1) those whose layoffs were of periods of 30 days were classified as employed (with a job but not at work) and (2) all those who were waiting to start a new job in 30 days were also classified as with a job but not at work.[18]

The Bureau of the Census made several other major improvements while it conducted the "Current Population Survey."[19] In 1943 the sample as taken over from the Works Progress Administration was revised to make it more representative of the population as a whole. At the same time, it was converted entirely to a probability basis. This new sample covered 68 sample areas including 125 counties and independent cities. The effective sample consisted of approximately 21,000 households which were interviewed each month.

In July, 1945 the questionnaire was modified so that it contained specific question wording. This was done because special studies had shown that variability in question wording among the enumerators had caused fairly large numbers of part-time and intermittent workers to be excluded from the labor force statistics.

The sample selection method was revised in 1947 so that each selected sample unit within a sample area would have the same basic weight for tabulating purposes. This change led to modified estimation procedures and simplified the tabulating procedures.

17. Ibid., p. 3.
18. Ibid., p. 2.
19. Ibid., pp. 11-13.

In July, 1949 the samples were enlarged to include special dwelling places such as hotels, motels and trailer courts. The residents of these places had characteristics that were only somewhat different from the rest of the population. Including these groups made the statistics more representative of the total population.

Interview schedules were converted from standard paper forms to IBM document-sensing cards in February, 1952. This conversion eliminated the manual preparation of punchcards, and it also eliminated a large portion of the coding that was previously done by hand on the schedules.

Population data from the 1950 census were brought into the computation of the ratio estimates used in the "Current Population Survey" estimation procedures starting in January, 1953. Previously data from the 1940 census was used. Based on these data it became feasible to publish separate absolute numbers for white and nonwhite persons as well as percentages in September, 1953. This information was not previously available.

In July, 1953 the 4 - 8 - 4 rotation system for samples was adopted. Prior to that time households were interviewed for six consecutive months and were then dropped from the sample. Under the new system households were interviewed for four consecutive months, they then left the sample for eight months, and then they were interviewed again for four consecutive months. This provided some year-to-year overlapping and thus tended to made the statistics more comparable from year-to-year.

The conversion of the "Current Population Survey" tabulations from unit record data processing equipment to high-speed electronic computers took place

in September, 1953. This conversion not only reduced tabulating time, but it also improved the estimation methods, allowed for an expansion in the scope and content of the tabulations, and improved the computation of sampling variability.

The "Current Population Survey" sample was enlarged from 68 to 230 sample areas in February, 1954, but the same size of 21,000 interviewed households was retained. There were now 453 counties and independent cities in the sample. At the same time of the sample expansion a new estimation procedure called a "composite estimate" was introduced. The new procedure took advantage of the month to month sampling overlaps. It was estimated by the Bureau of the Census that these two changes had the same effect on improving the reliability of the major statistics that doubling the sample would have had.

Monthly questions on part-time workers were added to the schedules in May, 1955. This information had been collected quarterly or less frequently in the past, but it was felt at that time that this data was needed on a monthly basis for adequate studies on current labor market trends.

In July, 1955 the survey week was changed from the calendar week containing the eighth day of the month to the week containing the twelfth day. This change was made so that there would be a greater consistency when the household survey statistics were compared with other employment statistics that were being compiled.

In May, 1955 the sample area and the sample size were expanded. The sample size was increased from 21,000 households interviewed to 35,000 households. The sample areas were expanded from 230 areas to 330 areas which encompassed 638 counties and independent cities, and for the first time coverage

was extended to every state. The 230 areas formerly used were included in the new sample. The Bureau of the Census estimated that the expansion increased the reliability of the statistics by about twenty per cent, and also allowed for more detailed data for given geographical areas.

As early as 1955 limited seasonal adjustments were done on unemployment data, but it was not until June, 1957 that the current types of seasonal adjustments were programmed into the Census Bureau's computers. These new computer programs allowed for a seasonally adjusted rate of unemployment and the charting of seasonally adjusted employment and unemployment.

The Bureau of Labor Statistics took over the publication of the labor statistics in July, 1959. At that time the report was renamed "The Monthly Report on the Labor Force." However, the Bureau of the Census still collected and tabulated the data used for the report.[20]

The sample areas were again changed in January, 1960 so that there were 333 areas covering 641 counties and independent cities, including all 50 states and the District of Columbia.[21]

In April, 1962 the 1950 census was replaced by the 1960 census in the computation of the ratio estimates. These ratios are used in the estimation procedures to insure that the monthly samples will not be biased in certain basic national characteristics such as age, sex, color, and types of residences.[22]

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20. Cohen, op. cit., p. 29.
21. Employment and Earnings, United States Department of Labor, Bureau of Labor Statistics, vol. 8, No. 11, May 1962, p. 2-E.
22. Cohen, op. cit., p. 29.

PROCEDURES USED IN DEVELOPING LABOR FORCE STATISTICS

The Survey Design

The household sample survey, conducted and tabulated by the Bureau of the Census for the Bureau of Labor Statistics uses the following survey design. The United States, which consists of 3,103 counties and independent cities, was divided into 1,891 primary sampling units. A primary sampling unit was a county, a number of contiguous counties or a standard metropolitan area. Each primary sampling unit was set up so that it would be as heterogeneous as possible. To insure that it was heterogeneous, the typical primary sampling unit was set up to include both urban and rural residents of high and low economic levels and, as far as was possible, provided diversification of occupations and industries. At the same time, the sample areas were made as compact as possible so as to reduce survey expenses.[23]

The primary sampling units were then divided into 333 strata. The 88 largest standard metropolitan areas and 4 other areas were strata by themselves. The rest of the strata were determined by grouping together the primary sampling units that most resembled each other by certain characteristics, such as rate of growth, geographic region, population density, type of agriculture and principal industry. Whenever a primary sampling unit was a stratum by itself, it went directly into the sample. One primary sample unit was selected randomly for the sample from each of the remaining strata in such a way that the probability of the selection of any given unit was proportionate to its 1950 population. The resulting 333 primary sampling units constitute the survey areas.[24]

23. Current Population Reports, op. cit., p. 4.
24. Ibid., p. 5

A sampling ratio of 1 in 1330 is used for each strata. The sampling ratio used in a particular sample area depends on the proportion that its population was of the stratum population in the 1950 census.[25] The sampling ratio used in a particular sample area is called its within-primary sampling unit sampling ratio. An example of this would be if the sampling area contained one-tenth of the stratum population, 1 out of every 138 households would be interviewed in that particular sampling area.

Area sampling methods are used to select specific households for interviewing in each of the specified primary sampling units. The number of households that are to be enumerated each month from each sampling unit is determined by the within-primary sampling unit sampling ratio. This procedure makes it possible for the sample to reflect shifts in population.

In applying area sampling methods, several stages of sampling were used within each of the primary sampling units. First, a sample of the enumeration districts used for the 1950 census was selected, with the probability of a district's selection being proportionate to its 1950 census. The selected enumeration districts were subdivided into segments having an expected size of six dwelling units or other living quarters. (However, some segments were considerably larger than this.) Then one segment was designated for the sample. There are about 6,000 segments in the sample population each month.[26]

From these segments a total of 42,000 dwelling units and other living quarters are designated for the survey each month. Interviews are completed

25. Ibid.
26. Ibid.

on about 35,000 households containing approximately 80,000 people 14 years of age and older. The other 7,000 households that are not interviewed can be divided into two groups. The first, which comprises about 1,500 of the 7,000 could not be reached because the occupants were not available for questioning. The other group represents units that are vacant, have been converted to non-residential use, have been demolished, or are occupied by persons who live somewhere else.[27]

The field organization which conducts the survey consists of 17 Regional Offices and about 700 part-time interviewers.[28]

Training of Interviewers

Although the interviewers work on a part-time basis, they are put through an intensive on-the-job training program. For the first three months the training program consists of class-room lectures, discussions, practice interviews and supervised interviewing. In addition experienced interviewers are given monthly reviews and are also convened for one-day group training and review sessions at least four times a year. To further insure the quality of the completed returns each interviewer is accompanied by a supervisor on his rounds twice a year. About three times a year a subsample of the work of each interviewer is reinterviewed by a supervisor to determine whether an adequate check was made. And, each month the completed returns are checked both in the Regional Offices and in Washington, D. C.[29]

27. Ibid.
28. Ibid., p. 6.
29. Ibid., p. 11.

It is felt by the administrators in the Bureau of Labor Statistics that this training and quality checking are what make the monthly labor force statistics more accurate than those that are collected during the decennial census.[30]

Each month during the calendar week containing the 19th day the interviewers contact a responsible member of each house that has been selected for the survey. A questionnaire is filled out for each member of the household with the information which that person gives. Information recorded includes name, age, race, sex, martial status, veteran status, and relationship to the head of the household as well as labor force participation data.

Sample Survey Questions

The enumerator does not ask if the members of the household desire work. Instead he asks the following types of questions.[31]

1. What was .... doing most of last week?
2. Did .... do any work at all last week, not counting work around the house?
3. How many hours did .... work last week?
4. Was .... looking for work?
5. How many weeks has .... been looking for work?
6. Even though .... did not work last week does he have a job or business?
7. Why was .... absent from work last week?

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30. Clague, op. cit., p. 9.
31. Labour Force Statistics, Sample Survey Methods, Technical Assistance Mission, No. 105, Organization for Europpean Economic Co-operation, Paris, April 1953, p. 25.

8. What is the description of .... job or business
   a. Occupation
   b. Industry
   c. Class of worker.

By the end of the week after the enumeration, the questionnaires for each individual are in Washington, D. C. The raw data is automatically converted to punchcards through the use of mechanical processing equipment. Estimates for the labor statistics are then tabulated from these cards after adjustments for households not interviewed and two stages of ratio estimates and a composite estimate have been used to increase the reliability of the labor force statistics.[32]

Estimation Procedure

The weights for all interviewed households are adjusted to account for occupied households for which no data was obtained. The adjustments are made for each primary sampling unit. The adjustments are made for color (white, nonwhite)and residence type (urban, rural nonfarm and rural farm).

This adjustment is made in the following way. The sample is divided on a percentage basis into six categories. These categories are (1) urban white, (2) urban nonwhite, (3) rural nonfarm white, (4) rural nonfarm nonwhite, (5) rural farm white and (6) rural farm nonwhite. It is known from the decennial census data how many people there are in each of these categories in the sampling area. For example, there might be 150 who are classified as urban white. The adjustment for urban whites then is done by multiplying 150 by the urban white percentage that was obtained in the sample.

The first stage of ratio estimates takes into account differences at the time

32. Current Population Reports, op. cit., pp. 7-8.

of the last census in the distribution by color and residence of the population estimated from the "sample" primary sampling unit and that of the total population in each of the four major regions of the country. This adjustment is done in the same way as the first one only now the data used from the census is that relating to the four major regions of the country.

The second stage of ratio estimates takes account of current differences between the population distributions of the sample and that of the nation as a whole by sex, color, and age. Each month independent estimates of the entire population by these characteristics are prepared by carrying forward the most recent census data. The estimates also take account of the aging of the population, mortality, and migration between the United States and other countries. This adjustment is computed in basically the same manner except that now the adjustments are done on sex, color, and age, instead of color and residence.

The composite estimate is composed of two parts. The first part is a weighted average obtained for the two stages of ratio estimates discussed above. The second part is the composite estimate for the preceding month to which has been added an estimate of the change in each item from the preceding month to the present month. (The estimated change is based on the part of the sample which is common to both months.) The weight for each of the two components of the composite estimate is one-half. This satisfies the conditions that for almost all of the items there will be some gain in reliability over the estimation procedure after the first two stages of ratio estimates. The composite estimate results primarily in gains in reliability in estimates of month-to-month and

year-to-year changes.[33]

The labor force statistics that are produced by these procedures are in absolute numbers. In addition the unemployed rate and seasonally adjusted labor force statistics are also computed. (See Table 1, page 34, for the weights used to compute the seasonally adjusted labor force statistics.)

The unemployed rate is determined by dividing the number of unemployed by the civilian labor force.

Accuracy of the Statistics

There is one chance in three that the sample estimate of unemployment might differ from a complete count of the unemployed by 100,000 or more. There is one chance in twenty that the estimate would differ by 200,000.[34]

Using the average standard error and assuming that actual unemployment for the nation is 5,000,000, there are two chances in three that the survey statistics will be between 4,900,000 and 5,100,000 for a given month. There are nineteen chances out of twenty that the survey results will be between 4,800,000 and 5,200,000.

The average standard error for the unemployed of both sexes on the monthly level is 100,000 and for the month-to-month change, for consecutive months only, 100,000. The monthly average standard error for men is 75,000 and for women is 65,000. The average standard error for month-to-month changes in unemployment statistics, for consecutive months only, is 90,000 for men and 65,000 for women.[35]

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33. Ibid., p. 8.
34. Clague, op. cit., p. 10.
35. Employment and Earnings, op. cit., p. 3-E.

A Partial Listing of the Resulting Reports

These figures are then turned over to the Bureau of Labor Statistics to be published in the "Monthly Report on the Labor Force." The statistics appear under such headings as:[36]

1. Trends in Employment and Unemployment for the Civilian Labor Force (both actual and seasonally adjusted)
2. Employment changes in Nonfarm Industries in Post World War II Business cycles (seasonally adjusted)
3. Seasonally adjusted Unemployment Rate (July 1948 to date)
4. Nonfarm Workers on Full-time and Part-time Schedules
5. Selected Measures of Unemployment and Part-time Employment, 1955 to date (seasonally adjusted.)
6. Total Labor Force, including Armed Forces, (seasonally adjusted quarterly averages)
7. Labor Force Participation Rates, by Age and Sex
8. Changes in Population and Labor Force for Males 14 to 24 Years of Age
9. Employment Status of the Noninstitutional Population by Age and Sex
10. Employment Status of the Noninstitutional Population by Sex
11. Employed Persons, by hours worked or reason for not working
12. Persons employed part-time in Nonagricultural part-time work.
13. Employed persons, by type of industry, class of worker and sex

36. Monthly Report on the Labor Force, Department of Labor, Bureau of Labor Statistics, March 1962, pp. 2-15, T-1 - T-6.

14. Selected Unemployed data

15. The long-term unemployed, by selected characteristics (age and sex, color, occupation and industry)

CURRENT CONTROVERSIES CONCERNING UNEMPLOYMENT STATISTICS

Questions concerning the adequacy and completeness of the unemployment figures often arise, especially during recessions.[37] In 1961, two articles appeared in periodicals that focussed attention on unemployment figures. The two articles, which were referred to in papers defending the statistics and in the December 18, 19 and 20, 1961 Hearings before the Congressional Subcommittee on Economic Statistics, were an editorial which appeared in The Wall Street Journal on August 28, 1961 and an article entitled "Let's Look at Those Alarming Unemployment Figures" by James Daniel in the September, 1961 Reader's Digest. Mr. Daniel's article was primarily concerned with the statistical reliability of the monthly unemployment figures released by the Bureau of Labor Statistics. The reliability of the unemployment statistics is covered in the second section of this paper. The Wall Street Journal did not question the statistical reliability of the current figures, but questioned instead the inclusion and exclusion of certain groups in the unemployed catagory.

It is contended that the current labor statistics understate unemployment in some areas and overstate it in others. It is felt that the understatement occurs in the representation of part-time workers as employed workers, the "hidden

37. Philip Eden, "For More Adequate Measurement of Unemployment, "Current Economic Comment, November 1959, 21:31.

unemployment," and the unemployed living in economically depressed areas. The overstatement occurs in the representation of teen-agers, retired persons, and women who can be classified as secondary workers.

Understatement of Unemployment

The questioning of the representation of the part-time workers arises because although they are classified in two special groups--those who work part-time by choice and those who work part-time for economic reasons--they are all counted as employed. (By current definition anyone who worked one or more hours for pay or more than 15 hours without pay in a family enterprise during the survey week is classified as employed.) This means that the unemployment figures and rate do not show the underemployment of those who usually work full-time at their jobs but are currently working part-time because of economic reasons, and those who desire full-time employment but have accepted part-time jobs because no other work is available. Senator Paul H. Douglas cites estimates that in June, 1961 the 1.2 million who worked part-time for economic reasons and the 2.0 million persons who usually work part-time but who prefer to and could work full-time represented the equivalent of 1.5 million fully unemployed. If this standard had been used, unemployment would have totaled 7.1 million rather than 5.6 million during that month.[38]

Philip Eden, Economist for the International Longshoreman's and Warehousemen's Union, suggests that not only should the unemployment rate be corrected to include those who work part-time, but it should also include a group

38. "How Many are Unemployed, "First National City Bank, Monthly Letter, Business and Economic Conditions, New York, January 1962, p. 5.

who are referred to as the "hidden unemployment." The "hidden unemployed", according to Mr. Eden, are those persons who have worked but are no longer counted in the labor force because they have lost their jobs and instead of looking for new jobs have returned to school, to full-time housework or have prematurely retired. Also included would be new entrants to the labor force who attempt unsuccessfully to find work and then stop looking. He contends that if job opportunities were available these people would return to the labor force, and that the reason that they are not counted among the unemployed now is because they had alternative non-labor force situations to turn to. He feels that because these people are not included, the present "concepts understate the extent to which our economy fails to provide full employment."[39]

One method used to determine the amount of unemployment caused by the above mentioned types of part-time work is to subtract the number of hours actually worked by these individuals from the number of hours in a basic working week. The number of hours used to describe a basic work week is usually either 40 hours[40] or 37.5[41] hours.

Ewan Clague, Commissioner of the Bureau of Labor Statistics, has countered that those who would add the hours that part-time workers are underemployed to the total unemployment figure must subtract the hours of overemployment from the same figure. Overemployment would be computed by subtracting the standard work week from the hours worked by those who hold two or more jobs and from

39. Philip Eden, op. cit., pp. 21-30.
40. John B. Parrish, "For More Adequate Measurement of Unemployment: A Comment, "Current Economic Comment, May 1960, p. 49.
41. Ewan Clague, "The Unemployment Statistics; Commissioner Clague Views The Methods of Measurement, "The Wall Street Journal, August 28, 1961.

those who work overtime.[42]

John Parrish, Professor of Economics at the University of Illinois, objects to counting the hours of underemployment and overemployment. He states the action would be undesirable because "Persons who have 'too many' hours, even in a recession offset those who have 'too few.'"[43] Dr. Parrish goes on to point out that in computing adjustments for "hidden unemployment" Mr. Eden is making two value judgments, (1) that the labor market is inelastic in the short run and that any decline in the size of the labor force from a norm represents workers who desire jobs but have "hidden" themselves because they believe no jobs are available and (2) "that 1956 is an appropriate year for determining the proportion of the population normally in the labor force under conditions of high-level employment."[44] He continues that in the long-run the labor market is to an extent inelastic, but that during the years 1950-1958 the labor force showed itself to be markedly flexible from year to year. (See Table 2, page 35.) Also, he reasons that 1956 was not the last period of sustained full employment, but instead was an unusual year because the labor force participation rate was not equalled before or after in the decade.[45]

In the American Federationist the AFL-CIO suggests that the amount of unemployment in economically depressed areas is understated. They suggest that to look for work in many areas is a waste of time and money. They conclude that many of those who are in fact unemployed are not even counted as

42. Ibid.
43. Parrish, op. cit., p. 50.
44. Ibid., p. 46.
45. Ibid., pp. 46-48.

members of the labor force because they were not seeking work during the survey week.[46] Under the present enumeration system these persons would be counted only if they volunteer the information that they would have been looking for work except that they believed no jobs were available in their community or in their line of work.

Ewan Clague agrees that many of these persons are not counted among the unemployed. He goes on to say that at the present time corrections for errors present in the survey figures cannot be made using the unemployment insurance statistics as a check because the relationship between the household statistics and the unemployment insurance statistics is not known.[47]

Overstatement of Unemployment

It has been suggested by some that the unemployment statistics be limited to those who could be classified as family bread-winners or as regular members of the labor force.[48] This would eliminate primarily teen-agers who work part-time and/or seek summer employment, retired persons, and those women who are in the labor market as secondary workers. The Wall Street Journal, concurring with this opinion, noted that under this interpretation the unemployment rate would refer only to those persons who living depends on finding jobs and are not able to find them. The current methods of segregating the types of the unemployed, they maintain, are not adequate because the unemployment

46. "Better Yardsticks to Count the Unemployed," American Federationist, Vol. 68, November 1961, p. 22.
47. Ewan Clague, Adequacy of the Unemployment Statistics for Government Use, op. cit. pp. 9-10.
48. Gertrude Bancroft, "Some Alternative Index of Employment and Unemployment, "Monthly Labor Review, February 1962, p. 167.

rate is determined by the entire unemployment figure, and it is in this way overstated.[49]

For teen-agers and married women this interpretation reflects the theory that when the primary worker (bread-winner or family head) loses his job other members of the family will then look for jobs, thus causing the unemployment rate to show higher unemployment than actually exists. Ewan Clague has said that in the twenty years that labor force statistics have been taken in the United States the idea that they contain this type of distortion has proved to be false. This conclusion was reached by a once-a-year study conducted by the Bureau of Labor Statistics showing how many persons in each family are employed and unemployed.[50]

In enumerating teen-agers, Raymond Bowman and Margart Martin, of the Office of Statistical Standards, note that if the teen-agers who were attending school and who sought part-time work were excluded from the count of the unemployed in October 1960, the total unemployed would have been reduced by about 250,000 or seven percent. They then point out that if the teen-agers who sought work are to be excluded, those who have part-time work should be excluded from the total of the employed and that for the same time period this would have meant a reduction of 3.8 million from the total employed of 67.5 million. This would have been a reduction of about five percent. It was their opinion that if these teen-agers were not included in the total count information would no longer

49. "Review and Outlook; The Purpose of Statistics," The Wall Street Journal, August 28, 1961, p. 6.
50. "How Many Really Are Unemployed; An Interview with Ewan Clague, "U.S. News and World Report, Vol. 51, No. 17, October 23, 1961, p. 84.

be available on types of work sought and engaged in by youth. Student participation in the labor force, one of the most important ways of obtaining a higher education today, would thus be completely ignored. In October, 1960 twenty percent of the college students were supporting themselves completely by working or with accumulated savings and another thirty percent made contributions toward their own support.[51]

In reference to married women Mr. Bowman and Miss Martin state "That the standard of living of a larger percentage of our families would be drastically lowered if the wife or other so-called secondary worker did not contribute regular or even intermittent earnings". The United States economy operates under a system in which one out of three in the labor force is a woman.[52] In addition almost sixty percent of the increase in employment during the '50's was caused by married women.[53] It would seem that unemployment statistics would be misleading if this group were eliminated from the count.

Opposition to including retired persons in the count of the unemployed is based on the assumption that they have an income and do not need employment in order to be able to subsist. In August 1961, 12.3 million retired persons were receiving old age survivors insurance. Because they can earn up to $1200 a year and not endanger their benefits, three million of these people were working. Only 900,000 of them were part-time workers.[54] Furthermore, in 1961 nearly one in 20 in the labor force was 65 years of age or older, and with current pop-

51. Raymond T. Bowman and Margaret E. Martin, Special Report on Unemployment Statistics: Meaning and Measurement, Office of Statistical Standards, Washington, October 1961, pp. 7-8.
52. Ibid., p. 8.
53. Ewan Clague, op. cit., The Wall Street Journal.
54. Ibid.

ulation trends this group will become larger.[55] Thus, with this numerical influence it is felt that retired persons should be counted to show labor force trends in age and types of work sought by these individuals.

In reference to the above mentioned areas of controversy, Deputy Assistant Secretary of Labor Seymour L. Wolfbein invites critics to adjust the unemployment figures to suit themselves:

> Our answer both to those who feel that the statistics are overstated and to those who feel that they minimize the situation is that our breakdowns of the total figures provide precisely the information which they seek.[56]

ADEQUACY OF THE LABOR FORCE STATISTICS

Labor Force Data

Currently Available and Unavailable

Using present concepts and techniques, the labor force statistics report the following as unemployed:[57]

1. Persons who have lost jobs in industry or business because of economic factors beyond their control.

2. Persons who are temporarily unable to work at their jobs because of labor disputes in other industries, or because of labor disputes in other industries, or because of interruptions to production due to natural disaster, breakdown, etc.

3. Persons who have been fired from their jobs for personal reasons.

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55. Bowman and Martin, op. cit., p. 8.
56. First National City Bank, op. cit., p. 5.
57. Bancroft, "Current Unemployment Statistics of the Census Bureau and Some Alternative, "op.cit., pp. 66-67.

4. Persons who have quit their jobs to try to improve their economic status.

5. Persons who have quit their jobs from dissatisfaction for a variety of reasons; floaters.

6. Persons who have retired voluntarily or involuntarily from their job because of old age but who still prefer to work.

7. Persons looking for their first job after leaving school or college.

8. Persons looking for part-time or temporary jobs to earn pin money.

9. Persons entering (or re-entering) the labor market to supplement the earnings of the chief wage earner in the family or to substitute for him in times of illness, depression, etc.

10. Recently discharged military personnel seeking civilian jobs.

11. Persons who are actually unable to work, but who nevertheless try to find employment.

12. Seasonal workers re-entering the labor market at the opening of the period of seasonal activity.

13. Seasonal workers who could not be placed in their community during the off season and whose unemployment reflects either climatic or business conditions.

14. Partially employed working at their regular jobs but at reduced hours because of economic difficulties. [58]

On the other hand the present concept does not allow the following groups that might be classified as unemployed for some purposes to be counted. [59]

1. Underemployed, working below grade of below usual wage level because of layoffs from regular jobs.

2. Self-employed, working full time but at marginal types

58. When Miss Bancroft's paper was published this was one of the types of unemployment that could not be counted, and was listed as such in her paper.
59. Ibid., p. 69.

of work that provide less than a minimum standard of living for themselves and their families.

3. Unpaid workers who help in the family enterprise on a full-time basis because they cannot find paid jobs.

4. Persons who have become discouraged in their search for work and indicate no current interest in employment.

5. Persons with needed skills who are not free to take a job or not interested in the going wage rates but who, for some purposes, such as mobilization, might be considered part of the labor supply and unemployed.

6. Persons whose search for work is limited to signing for unemployment compensation check.

7. Seasonal workers in the off season who do not seek other jobs.

8. Other persons not working at their jobs or businesses for a variety of reasons, but not seeking new jobs.

Interpretations of Labor Force Statistics

Using current labor force concepts, the labor force statistics can be said to serve two major functions. First, they give a measure of the human resources available in the economy as a result of the free option of persons seeking employment by entering the labor force. Although need may motivate the seeking of employment, under the present concepts it is not relevant to the count.

The second major use of the data gathered is that it can be and is used as a key economic indicator. Used as an indicator, this data can provide a measure of the growth of the economy over a period of time. It can also indicate the extent of cyclical and seasonal movements. It can provide information on employment and unemployment as a social and economic problem.[60]

60. Bowman and Martin, op. cit., pp. 5-6.

The Joint Economic Committee Hearings On Employment and Unemployment

In December, 1961 hearings were held before the Subcommittee on Economic Statistics of the Joint Economic Committee to determine the adequacy of the labor force statistics. In the course of the hearings representatives of business, labor, education and the Bureau of Labor Statistics participated. At the conclusion of the hearings the Committee on Economic Statistics made recommendations on the adequacy of the statistics.

At the hearings, George G. Hagedorn testified representing the National Association of Manufacturers. In his testimony he called attention to a resolution passed on October 11, 1961 by the Business Research Advisory Council, whose personnel were selected from recommendations submitted by the National Association of Manufacturers and the Chamber of Commerce of the United States of America, which stated that:

> There is room for honest differences of opinion in regard to the methods and concepts used by the Government in collecting statistics on employment and unemployment. On the whole however, the council believes that the methods used by the Bureau of Labor Statistics provide a reasonable and useful procedure for presenting information on the levels of employment and unemployment.[61]

Mr. Hagedorn went on to state that he believes that the definition of unemployment should not be changed. However, he suggests that means should be taken so that there would be better public understanding of what the unemployment total is intended to measure and how the measuring is done. He also expressed the

61. "Employment and Unemployment," Hearings before the Subcommittee on Economic Statistics, Joint Economic Committee, Congress of the United States, 87th Congress, First Session, December 18, 19, 20, 1961, Government Printing Office, Washington, 1962, p. 110.

view that there should be less emphasis on the overall figure of unemployment and more emphasis on the detailed categories of unemployment.[62]

Emerson P. Schmidt, Director of Economic Research for the Chamber of Commerce of the United States of America, stated in his testimony that although the statistics were rarely adequate, completely accurate, or pleasing to those who would like to employ them in a self-serving capacity, it would be doubtful if any scientific change in the methods used would produce any large changes in the monthly reports or in quarterly and annual trends.[63]

Representing labor, George Meany, in an article inserted into the record of the hearings, said that the AFL-CIO believes that the present labor force figures are sound. However, they believe that measures should be taken to insure that certain groups of people who were not currently seeking work were counted among the unemployed--specifically, persons who believed that no jobs were available, those who had applied for jobs during the past sixty days and were waiting to hear results, and unpaid family workers who would seek outside work if they thought it was available.[64]

While participating in a panel during the hearings, Professor Paul A. Samuelson of Massachusetts Institute Technology, said in a prepared statement:

> While our statistical knowledge on this subject can be improved, and while they need to be carefully understood if misinterpretations are to be avoided, there is no doubt in the minds of the vast majority of the statisticians and economic experts that the existing published information gives an important indication of short-term fluctuations in underlying employment

62. Ibid., pp. 127-128.
63. Ibid., p. 185.
64. Ibid., pp. 149-150.

and unemployment conditions.[65]

Professor John W. Kendrick of George Washington University in the same panel averred that:

> There will, of course, always be disagreement among reasonable men about the concept and definitions of broad economic aggregates such as these. These differences will be exaggerated as interest groups feel their ends may be served whether by using broad, or narrow definitions of unemployment..... In general, I approve of the concepts and measurement techniques underlying the current monthly labor force reports.[66]

Ewan Clague speaking for the Bureau of Labor Statistics said:

> In any case, whether one concludes that the definition of unemployment is too broad, too narrow or "just right," it has provided a consistent yardstick for measuring unemployment in every month over 20 years. Periods of high unemployment and periods of low unemployment have all been measured with the same yardstick. Switching to a different measuring rod will not alter the fact that unemployment moves much higher at some times than at others and that such occurrences are causes for genuine concern.[67]

Commissioner Clague went on to say that the Bureau of Labor Statistics planned to do several major studies on the characteristics of the unemployed and that in this way much of the desired additional information could be determined without changing the present labor force concepts.

In the report issued after the conclusion of the hearings the Subcommittee on Economic Statistics concluded that:

> There is general agreement among experts that the United States possesses the most complete, accurate and reliable statistics on employment and unemployment of any country in the world today.[68]

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65. Ibid., p. 369.
66. Ibid., p. 341.
67. Ibid., p. 69.
68. "Employment and Unemployment," Report of the Subcommittee on Economic Statistics to the Joint Economic Committee, Congress of the United States. Government Printing Office, Washington, February 2, 1962, p. 3.

The Subcommittee recommended that the proposed studies of the Bureau of Labor Statistics be carried out, that attempts should be made to explain to the general public the nature, uses, and limitations of the statistics, and that a monthly survey should be developed that would give a report on job opportunities and vacancies.[69]

SUMMARY AND CONCLUSIONS

The report of the Subcommittee's hearings summarized, as this paper has attempted to, the history, procedures, and controversies over the adequacy of the labor force statistics with special emphasis on the unemployment figures. The conclusions reached in the report and in this paper are that: (1) the data now being gathered is providing reliable information on trends in the economy, (2) within given statistical ranges the figures arrived at are correct, (3) through use of present concepts and methods, information is available that allows those who desire to adjust the unemployment figures and rate to do so, and (4) the areas of controversy that arise in unemployment concepts are primarily in defining the unemployed and not in the statistical methods used to enumerate them.

Table 1. Seasonal adjustment factors for the labor force and major components, to be used for the period 1961-62

Month	Civilian labor force	Employment			Unemployment			
					Males		Females	
		Total	Agriculture	Nonagricultural industries	Age 14 to 19	Age 20 and over	Age 14 to 19	Age 20 and over
Jan.	97.6	96.7	81.7	98.3	92.9	125.8	74.1	107.9
Feb.	97.9	96.9	81.7	98.4	90.9	129.4	74.3	108.8
Mar.	98.5	97.6	86.0	98.8	93.9	123.5	80.1	106.0
Apr.	99.0	99.0	94.4	99.4	89.1	105.1	86.1	99.2
May	100.1	100.4	104.1	100.0	93.6	92.9	105.9	97.3
June	103.2	102.7	121.2	100.6	175.3	90.6	210.8	102.9
July	102.8	102.7	117.9	101.1	139.6	91.5	142.2	104.2
Aug.	101.6	102.3	111.7	101.5	121.3	97.1	98.4	99.4
Sept.	100.2	101.2	109.9	100.3	77.7	79.5	87.7	93.1
Oct.	100.4	101.5	109.0	100.8	77.6	78.3	77.5	93.5
Nov.	99.8	100.3	97.9	100.5	90.3	90.6	89.1	97.8
Dec.	99.0	99.3	84.9	100.7	80.5	103.8	73.7	89.5

Employment and Earnings, United States Department of Labor, Bureau of Labor Statistics, Vol. 8, No. 11, May 1962, p. 7-E.

Table 2. Annual labor growth 1950-58

	Annual average total labor force	Year-to-year change	Percent of population in labor force
	(thousands)		
1958	71,284	+ 538	58.5
1957	70,746	+ 359	58.7
1956	70,387	+1,491	59.3
1955	68,896	+1,077	58.7
1954	67,819	+ 457	58.4
1953	67,362	+ 952	58.5
1952	66,410	+ 578	58.7
1951	65,382	+1,233	58.8
1950	64,599	+1,028	58.4
Arithmetic average 1950-58	68,148	+ 857	58.7

John B. Parrish, "For More Adequate Measurement of Unemployment: A Comment," Current Economic Comment, Vol. 22, No. 2, May 1960, p. 47.

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THE MEASUREMENT OF THE LABOR FORCE WITH SPECIAL EMPHASIS ON UNEMPLOYMENT STATISTICS

by

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The purpose of this report is to show the historical development of labor force statistics, to describe the procedures used in determining the labor force statistics, and to discuss current controversies concerning unemployment statistics and the adequacy of the labor force statistics.

The material used in this report was taken from current periodicals, government publications, testimony before the Subcommittee on Economic Statistics, and from books written about the labor force.

Labor force statistics were gathered during each decennial census from 1870-1930. The concept used during this period was the gainful worker theory. The data gathered was primarily in the form of enumerations of occupations. The depression of the 1930's brought out the weaknesses of the data that were being gathered. It was not possible during that decade to determine how many were actually employed and unemployed from the information that the government had.

During the 1930's the current labor force concepts were developed and adopted. This new concept was based on the current labor force activity of the persons counted. The counts were made through sample surveys and were based on the activity during a specific period of time.

In 1940 the Works Progress Administration started monthly labor force surveys. These surveys were taken over by the Bureau of the Census in 1942. In 1959 the Bureau of Labor Statistics assumed the responsibility of publishing and analyzing the data, while the Bureau of the Census continued to conduct and tabulate the surveys.

A sample survey is taken each month from 35,000 households. The information obtained from the survey is expanded to reflect the labor force trends for

the nation as a whole.

Current controversies that have arisen over the statistics have questioned the inclusion and exclusion of certain groups in the count of the unemployed.

Some persons have expressed opinions that the unemployment count is understated because part-time workers, the "hidden unemployed" and many of the unemployed living in economically depressed areas are not included in the count of the unemployed. Others have said that the unemployment rate is overstated because it includes all teen-agers, the retired, and secondary workers.

In December 1961, Hearings were held before the Subcommittee on Economic Statistics of the Joint Economic Committee. The Report from the hearings concluded that, although the statistics did not satisfy the needs of all those who used them they were adequate. The recommendation of the Subcommittee was that the current concepts and definitions of unemployment be retained.